

IRS News Release

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Dyed Diesel Fuel Penalty Waived in Florida Due to Hurricane Wilma

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WASHINGTON — The Internal Revenue Service, in response to shortages of clear diesel fuel caused by Hurricane Wilma, will not impose an excise tax penalty when dyed diesel fuel is sold for use or used on the highway in Florida.

This relief applies to dyed diesel fuel sold or used in Florida after October 25, 2005 (the expiration date of previously announced relief) and will remain in effect through November 10, 2005.

This penalty relief is available to any person that sells or uses dyed diesel fuel for highway use. In the case of the operator of the vehicle in which the dyed fuel is used, the relief is available only if the operator or the person selling the fuel pays the tax of 24.4 cents per gallon. IRS Publication 510, Excise Taxes for 2005, has information on the proper method for reporting and paying the tax.

The IRS will not extend penalty relief beyond November 10, 2005, for diesel fuel that is dyed to IRS standards and removed from the terminal after that date. The following rules will apply in Florida after November 10, 2005:

- Diesel fuel intended for a nonexempt highway use should not be dyed when it is removed from a terminal.
- Any dyed diesel fuel held by retailers or users on November 10, 2005, can be used on the highway after that date. In the case of fuel that has been dyed at a terminal to meet IRS standards, this relief is available to the operator of the vehicle in which the fuel is used only if the operator or the person selling the fuel pays the tax of 24.4 cents per gallon.
- To the extent permitted by EPA rules, dyed high sulfur diesel fuel received by retailers, including fuel received after November 10, 2005, may be sold for nonexempt highway use if the dye is added only at the refinery to meet EPA standards, and not at the terminal to meet IRS standards. The IRS will continue to waive penalties for nonexempt highway use of high sulfur diesel fuel that is dyed only at the refinery to meet EPA standards. Retailers may rely on the representations of their suppliers that fuel received after November 10, 2005, has not been dyed at the terminal.
- Position holders are reminded that they are required to pay tax on any diesel fuel (including high sulfur fuel) that has not been dyed to IRS standards. Terminal operators should not dye, or add additional dye to any fuel on which tax is paid.